



## LT Digest

### Be in the know

#### Legislative initiatives

##### [Russian State Duma considers package of draft laws](#)

The Russian State Duma has considered the following draft laws:

- Draft Law No. [107145-7](#) aimed at combating the illegal online distribution of audiovisual works has passed the third reading;
- Draft Law No. [32493-7](#) refining the procedure for out-of-court settlement of intellectual property disputes has passed the third reading;
- Draft Law No. [1020371-6](#) on banning the purchase of federal and municipal property for offshore companies has passed the third reading (for more details please refer to LT of [18 March 2016](#));
- Draft Law No. [43679-7](#) introducing administrative sanctions for failure to comply with the responsibility to prevent damages from products that do not meet technical standards has passed the second reading;
- Draft Law No. [76910-7](#) introducing insurance of private investments put on individual investment accounts has passed the first reading;

[Russian State Duma considers package of draft laws](#)

[Draft law formalising unjustified tax benefit concept prepared for second reading](#)

[Draft law on tax-free regime submitted to Russian State Duma](#)

[Russian State Duma to consider draft law proposing indexation of excise tax, banning retrospective accrual of excise on imported protected wines and amending MET formula](#)

[Russian State Duma to consider draft law setting limits on food retailers' markups](#)

[Draft law introducing progressive personal tax scale submitted to Russian State Duma](#)

[Russian Government to ratify Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism](#)

[Russian State Duma to consider draft law changing excise tax assessment for tobacco importers](#)

[Russian State Duma to consider banning use of online storefronts for alcohol demonstration](#)

[Russian State Duma to consider introduction of administrative sanctions for selling alcohol online](#)

[Russian Central Bank simplifies confirmation of foreign exchange transactions with non-residents](#)

[Commercial aircraft, aircraft engines, parts and equipment to be subject to special customs procedures](#)

[Russian Ministry of Finance clarifies taxation of property \(property rights\) received in liquidation of a foreign subsidiary](#)

[Initiative to increase environmental fee for failure to comply with recycling targets](#)

[E-sick leave certificates to be introduced from July 2017](#)

[USA to revise bill toughening anti-Russian sanctions](#)

[Swiss Federal Council adopts a dispatch on automatic exchange of information with 41 additional states and territories](#)

[Multilateral Competent Authority Agreement for Country-by-Country Reporting joined by more jurisdictions](#)

[Hong Kong updates automatic information exchange process](#)

- Draft Law No. [96436-7](#) enabling the tax authorities to access information and documents that constitute the audit secrecy has passed the first reading;
- Draft Law No. [34564-7](#) refining the tax treatment of intangibles and R&D has passed the first reading;
- Draft Law No. [195446-7](#) that bans Internet resources allowing to access blocked websites has passed the first reading (for more details, please refer to LT Digest, [5-18 June 2017](#));
- Draft Law No. [169585-7](#) regulating a test run for tourism levy charged on travelers has passed the first reading (for more details please refer to LT Digest, [2-12 May 2017](#));
- Draft Law No. [169380-7](#) granting VAT exemption for leasing of medical equipment has passed the first reading;
- Draft Law No. [33144-7](#) specifying the list of employee training expenses has passed the first reading;
- Draft Law No. [71245-7](#) proposing to postpone the enactment of certain regulatory provisions governing facilities subject to environmental impact assessment was rejected.

*Official website of the Russian State Duma*

### **Draft law formalising unjustified tax benefit concept prepared for second reading**

On 19 June 2017, the Russian State Duma Committee on Budget and Taxes approved the amendments to Draft Law No. [529775-6](#) formalising the unjustified tax benefit concept in the Russian Tax Code.

The second reading amendments will be discussed at an upcoming meeting of the Russian State Duma Council.

The draft passed the State Duma's first reading on 15 May 2015.

The second reading amendments have not yet been officially published.

[Official website of the Russian State Duma Committee on Budget and Taxes](#)

### **Draft law on tax-free regime submitted to Russian State Duma**

For more details about the content of the draft, please refer to LT Digest, [27 March – 2 April 2017](#).

[Official website of the Russian State Duma](#)

### **Russian State Duma to consider draft law proposing indexation of excise tax, banning retrospective accrual of excise on imported protected wines and amending MET formula**

The draft calls for adjusting the excise tax rates for inflation in 2020. In the estimate of the Russian Ministry of Economic Development, the inflation rate will amount to 4 percent.

The draft also proposes to amend the procedure for determining the coefficients used by the owners of the Unified Gas Supply System facilities and their affiliates to calculate the MET on natural gas. The document

provides for almost doubling of a Kgp coefficient, standing for the export margin of one unit of fuel equivalent, in 4Q 2017 and for extending the applicability of coefficient set for 2019 until the end of 2020.

Furthermore, to improve the budgetary balance, the document proposes extending the increased MET rate on oil (plus RUB 428 per tonne) set for 2019 until 31 December 2020.

The draft also bans a retrospective charge of excise tax in excess of the amounts of already paid excise on imported wines with protected geographical indication and protected designation of origin.

[Official website of the Russian State Duma](#)

### **Russian State Duma to consider draft law setting limits on food retailers' markups**

The draft proposes to authorise the Russian government to set:

- Maximum markups on certain types of agricultural produce and foods, including basic necessities, that retailers are allowed to have (other than agricultural consumer co-operation societies)
- General markup limits
- Maximum share of certain categories of imported agricultural produce and foods in the total assortment of products sold

According to the draft, the maximum retail markup cannot exceed the following thresholds:

- For producers: 45 percent of a commodity's (grain, milk, vegetables etc) production cost
- For processors: 15 percent of a commodity producer's ex-factory price
- For food wholesales: 10 percent of a food producer's ex-factory price
- For retailers, including markets: 15 percent of a food producer's ex-factory or wholesale price
- For catering businesses: 15 percent of a food producer's ex-factory or wholesale price.

The draft proposes giving regional authorities the right to determine the list of food products, including basic necessities, subject to retail markup limitation, which may include more items than the federal list, and to regulate the markups level, which cannot exceed the maximum values set by the federal government. .

[Official website of the Russian State Duma](#)

### **Draft law introducing progressive personal tax scale submitted to Russian State Duma**

The draft proposes to set the following tax rates depending on one's annual income:

- 5 percent on income below RUB 100,000
- RUB 5,000 plus 13 percent of the amount in excess of RUB 100,000 for income ranging from RUB 100,001 to RUB 3 million

- RUB 382,000 plus 18 percent of the amount in excess of RUB 3 million for income ranging from RUB 3 million to RUB 10 million
- RUB 1,642 million plus 25 percent of the amount in excess of RUB 10 million for income of RUB 10,000,001 and above.

If adopted, the law will enter into force on 1 January 2018.

Please note that Draft Laws No. [1148107-6](#), [943535-6](#), [939612-6](#), [851098-6](#) that also contain progressive PIT proposals are already pending approval of the Russian State Duma.

[Official website of the Russian State Duma](#)

### **Russian Government to ratify Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism**

The [Convention](#) was signed on behalf of the Russian Federation in Strasbourg on 26 January 2009.

[Official website of the Russian State Duma](#)

### **Russian State Duma to consider draft law changing excise tax assessment for tobacco importers**

The draft proposes applying a multiplier to the excise tax charged on tobacco importers for tax periods from 1 September to 31 December of each year.

According to the existing regulations, a multiplier is applied to the excise tax charged on tobacco producers only, which gives unwarranted preferences to importers.

If adopted, the amendments will come into force on 1 September 2017.

[Official website of the Russian State Duma](#)

### **Russian State Duma to consider banning use of online storefronts for alcohol demonstration**

According to the draft authors, online storefronts are the most popular way to bypass the ban on selling alcohol online.

The existing regulations do not treat virtual storefronts as online liquor stores as the purchases must be formally made at a brick-and-mortar outlet.

[Official website of the Russian State Duma](#)

### **Russian State Duma to consider introduction of administrative sanctions for selling alcohol online**

The draft proposes to introduce administrative penalties for online sale of alcohol unless the case qualifies for criminal prosecution.

Fines for legal entities will range from RUB 500,000 to RUB 1 million.

[Official website of the Russian State Duma](#)

### **Russian Central Bank simplifies confirmation of foreign exchange transactions with non-residents**

CBR's Order No. 4360-U of 25 April 2017 has simplified the procedure for confirmation of FX transactions with non-residents worth USD 1,000 and under: to confirm such transaction a statement of FX operations will suffice.

For transactions that imply the debiting of the Russian currency from a resident's RUB account with an authorised bank under a contract with a non-resident, whose value does not exceed the above-mentioned threshold, the residents will only be required to provide a FX payment order, rather than the documents on the FX transaction itself.

Furthermore, the residents will no longer be required to provide statistics of accounting for moved goods, envisaged by the Guidelines for Maintaining Statistics on Trade Transactions between the Russian Federation and the EAEU member states, to the authorised banks in confirmation of the import (export) to (from) Russia of goods that do not have to be declared for customs purposes.

The CBR's order will enter into force upon expiration of 30 days following its official publication.

[Consultant Plus](#)

### **Commercial aircraft, aircraft engines, parts and equipment to be subject to special customs procedures**

The Eurasian Economic Commission Council's resolution No. 31 of 28 April 2017 introduced amendments to certain decisions of the Customs Union Commission and the Eurasian Economic Commission Panel.

Thus, the list of commodities subject to the special customs procedures was amended to include Item 5.1, according to which civil aircraft (as per EAEU's commodity codes 8802 40 003 5, 8802 40 003 6 и 8802 40 004 6), civil aircraft engines, parts and equipment, including items imported as part of an aircraft body, that had been previously imported into the customs territory of the Customs Union and put under the customs procedures envisaged for release for internal consumption subject to a zero or reduced import duty rate applicable in the Eurasian Economic Union, subsequently exported from the Union's customs territory for repair/maintenance (including overhaul and/or upgrades) purposes and re-imported into the Union's customs territory upon completion of the above-mentioned works or, if such works were not

performed, in an unaltered condition, during six months of the export date, will be subject to the special customs procedures and exempt from customs duties, taxes and non-tariff measures.

The draft proposes the following special procedure eligibility criteria:

- The commodities must be identifiable at the time of re-import into the EAEU's customs territory through identification methods pre-agreed with a respective customs authority at the time of export
- As a result of repairs and/or maintenance (including overhaul and/or upgrade), a commodity's properties shall not be altered to require a commodity code change.

The Commission's resolution will enter into force 10 days after its official publication.

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## Clarifications from government bodies

### Russian Ministry of Finance clarifies taxation of property (property rights) received in liquidation of a foreign subsidiary

The Ministry has reminded that pursuant to Paragraph 1, Item 2.2, Article 277 of the Russian Tax Code, a shareholder entitled to liquidation proceeds in the form of value of distributed property (property rights) is entitled to exclude such proceeds from its taxable income base subject to compliance with the requirements of Item 2.3, Article 277 of the Russian Tax Code.

If the taxpayer has exercised the above-mentioned right, such property (property rights) shall be

accounted for on the basis of its duly documented value on the liquidated foreign subsidiary's balance sheet, that should not be higher than its market value determined in accordance with provisions of Article 105.3 of the Russian Tax Code.

The Ministry has noted that in case of disposal of such property (property rights), its value calculated as stated above can be expensed for tax purposes.

[Consultant Plus](#)

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## Media review

### Initiative to increase environmental fee for failure to comply with recycling targets

The Russian Minister for Natural Resources has called for increasing the environmental fees payable by producers and importers to RUB 30 billion (from originally planned Rub 6.5 billion).

According to the Ministry, the measure requires an extension of the list of recycled goods and recycling targets.

The existing environmental fee and recycling targets rates are set for three years (from 2015 to 2017).

Please note that the Ministry of Natural Resources is planning large-scale inspections to check on the manufacturers' and importers' compliance with the expanded responsibilities (for more details, please refer to LT in Focus of [13 June 2017](#)).

[Kommersant](#)

The pilot project in six regions across Russia had run since 2014.

[Rossiyskaya gazeta](#)

### USA to revise bill toughening anti-Russian sanctions

The Republican majority in the US House of Representatives lodged a procedural objection to a bill passed by the US Senate (the upper chamber of the US Congress) that would slap tough new sanctions on Russia. The package was sent back to the Foreign Affairs Committee for a review. The amendments to the bill to be prepared by the House would have to be squared with the Senate's version.

[Kommersant](#)

### E-sick leave certificates to be introduced from July 2017

Starting from July 2017, electronic sick leave certificates will be gradually introduced countrywide following their successful test run.

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## International legislation news

### Swiss Federal Council adopts a dispatch on automatic exchange of information with 41 additional states and territories

In its official [press release](#) the Federal Council of Switzerland announced the adoption of the dispatch on the introduction of the automatic exchange of financial account information with [41 states and territories](#), including Russia..

It is expected that the partners will begin exchanging

information in the autumn of 2019 for 2018 data. The AEOI will be activated with each individual state or territory by means of a specific federal decree within the framework of this dispatch. The Federal Council will prepare a situation report before the first exchange of data to check whether the states and territories concerned meet the confidentiality and data security requirements.

### **Multilateral Competent Authority Agreement for Country-by-Country Reporting joined by more jurisdictions**

The OECD informs that the Multilateral Competent Authority Agreement for Country-by-Country Reporting (CbC MCAA) is now signed by Belize, the Cayman Islands, Colombia, Haiti, Pakistan, Singapore and the Turks and Caicos Islands.

Singapore has also signed the Multilateral Agreement on Automatic Exchange of Financial Account Information (CRS MCAA).

[Official OECD website](#)

### **Hong Kong updates automatic information exchange process**

The Hong Kong Inland Revenue Department has released amendments to Inland Revenue Ordinance concerning automatic document exchange (Inland Revenue (Amendment) (No. 4) Bill 2017) 4) Bill 2017).

The proposed amendments expand the list of reportable jurisdictions for automatic exchange of financial account information to include Turkey.

Russia was added to the list during the previous round of Ordinance amendments (for more details please refer to LT Digest , [10-16 April 2017](#)).

[Official website of the Government of the Hong Kong Special Administrative Region](#)

# Deloitte publications

## **New IT Legal Drive for April-May 2017**

We are pleased to present a [new issue](#) of IT Legal Drive, offering an overview of the latest Russian IT and e-commerce trends and news for April-May 2017.

In this issue, you will learn about the federal law on regulation of audiovisual services that has come into force, the draft law on telemedicine that the State Duma passed in the first reading, and the development of rules for remote access to banking services.

## **Russian Ministry of Finance elaborates measures to streamline taxation of controlled transactions**

A draft law introducing material amendments to the Russian Tax Code provisions governing the taxation of controlled transactions was officially released on 7 June 2017.

The proposed amendments repeal the reporting requirements for immaterial transactions, enable the involvement of local tax authorities in transfer pricing audits, and regulate the signing of pricing agreements to international transactions involving a tax authority of a foreign state.

The public discussions of the draft will continue until 5 July 2017.

Read on for more details in Legislative Tracking in Focus of [15 June 2017](#).

## **Russia Joins Multilateral BEPS Convention**

On 7 June 2017, the Russian Federation among other 67 countries and jurisdictions joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of 24 November 2016.

The Convention will enter into force after ratification. The first amendments to the Russian tax treaties are expected to come into effect in the beginning of 2019.

Read more in Legislative Tracking in Focus of [14 June 2017](#).

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We hope that you will find this edition interesting and informative. Should you have any questions on this subject, please do not hesitate to contact us.

Best regards,  
**Deloitte CIS Partners**

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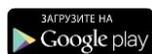


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## TaxSmart app



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